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SUBJECT: ISRAEL MEDIA REACTION

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SUBJECTS COVERED IN THIS REPORT:  
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[1](#)1. U.S. Israel Security Exports Crisis

[1](#)2. Mideast

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Key stories in the media:  
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Ha'aretz Sunday reported that the U.S.-Israeli security exports crisis is deepening. The paper noted that Washington has ordered Israel to increase its control over its security exports. This crisis, which began over the Israeli Harpe sale to China, resulted in harsh U.S. sanctions on Israel according to the paper. The U.S. has made three demands of Israel in order to settle the crisis: 1. Israel shall provide information about more than 60 deals it made with China in recent years; 2. Israel should reevaluate its system for supervising security exports and report to the U.S.; 3. Formulation of a memo of understanding between the U.S. and Israel about future arms sales. Schiff writes on Monday that most of Israel's friends in the U.S. Congress back the Pentagon's stance that Israel needs to accept tighter monitoring of its security deals. Maariv added on Monday that the U.S. also demands details regarding weapon sales to India and Singapore and that Minister of Defense Shaul Mofaz has nominated Zvi Shtaubert, former Israeli Ambassador to the U.K., to lead negotiations of Israel's security exports sales.

Maariv reported that construction work on the fence around the Etzion Bloc will begin in another two weeks. According to the paper, the goal of the construction work is to establish facts on the ground and to annex the Etzion Bloc de facto by placing it on the Israeli side of the separation fence-prior to the implementation of the disengagement plan.

Ha'aretz and Kol Israel reported that the U.S. Federal Court has made public the indictment of U.S. Defense Department analyst Larry Franklin. Franklin is charged with leaking classified military information to employees of an unnamed lobby group, which according to reports, is AIPAC.

Ha'aretz reported on Sunday that the final document prepared by the PA's donor countries, the World Bank and the International Monetary Fund concludes that Israel must transfer control over the Rafah crossing to the P.A. and allow regular passage of people and goods between the Gaza Strip and the West Bank.

All media reported that Prime Minister Ariel Sharon toured on Sunday the communities slated to absorb the evacuees and expressed his satisfaction with the pace of work on their housing. Leading media reported that U.S. envoys Elliot Abrams and David Welch are expected to arrive in Israel and the P.A. on Monday in order to prepare Secretary of State Condoleezza Rice's visit to the region. The media also reported that Egypt envoys (Egyptian intelligence chief Omar Suleiman and Foreign Minister Abdul Gheit) are slated to visit Israel and the P.A. in the upcoming days to make an effort to ensure the success of next week's meeting between PM Sharon and Palestinian Chairman Mahmoud Abbas.

All media reported on Israel's achievement in the UN as its UN Ambassador, Dan Gillerman, was elected to be the new vice president of the UN General Assembly.

All media reported that Justice Minister Tzipi Livni and Attorney General Menachem Mazuz have announced that the state will take all legal responsibility for actions undertaken by security forces during the disengagement.

All media reported that the P.A. has executed four convicts in the Gaza Strip in an effort to reestablish its deterrence capability.

According to the peace index published in Ha'aretz, 52 percent of Israelis believe the disengagement should be coordinated with the Palestinians; 38 percent are against. The index also publishes that 57.5 percent of the Jewish public supports the disengagement plan; 35.5 percent oppose it; 7 percent are undecided.

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**1. U.S. Israel Security Exports Crisis:**  
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Summary:  
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Diplomatic correspondent Ben Caspit opined in popular, pluralist Maariv: "What is infuriating about all this is that it is not really a matter of America's national security, and in cases where it is, the security considerations are marginal.... It's all an issue of money. Israel's arms industries, military and aeronautical, infuriate the Americans. Israel earns USD 4 billion per year in this area. Every last one of these dollars comes here instead of going there."

Block Quotes:  
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"An Issue of Money"

Diplomatic correspondent Ben Caspit opined in popular, pluralist Maariv (June 14): "Perhaps the time has come for somebody -- the prime minister for example -- to put a stop to the groveling which has recently been forced upon the Israeli defense establishment.... On the other hand, we are talking about America. They are not dependent on us. We are dependent on them. We do not finance them. They finance us.... In the situation in which Israel finds itself, it has to be smart.... What is infuriating about all this is that it is not really a matter of America's national security, and in cases where it is, the security considerations are marginal.... It's all an issue of money. Israel's arms industries, military and aeronautical, infuriate the Americans. Israel earns USD 4 billion per year in this area. Every last one of these dollars comes here instead of going there.... The Pentagon is under constant pressure from senators, members of congress and industrialists, and every one of them is demanding that Israel be circumscribed, cut down to size, that the Pentagon make it difficult for Israel to win contracts in Turkey, the Far East and eastern Europe.... Some say the prime minister is faced with something worse than the crisis itself, and that Israel's sovereignty is at stake. It is an issue of independence and pride. Sharon is now torn between his head and his heart.... It is Sharon who will have to decide whether to be right or smart."

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**2. Mideast:**  
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Summary:  
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Conservative, independent Jerusalem Post editorialized: "The claim that Hamas would be worse cannot be allowed to absolve Abbas's PA of its minimal requirements and obligations.... Whether the goal is saving disengagement or preparing for the day after, the time to force the PA to confront terror is now."

Block Quotes:  
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"The Gathering Storm"

Conservative, independent Jerusalem Post editorialized (June 14): "There is the obligation of both Israel and the international community to reexamine the decision to place all its eggs in the basket of Mahmoud Abbas and its notion of what it means to support Palestinian moderation and reform. The hard fact is that Abbas is not only failing, but also that most trends are in the wrong direction.... Perhaps it is time to consider the

possibility that Abbas's rule has suffered not from too little help but from too much. How surprising is it that Abbas moves further and further away from the key task demanded of him by the international community ... when international assistance to him only increases as the situation deteriorates? The claim that Hamas would be worse cannot be allowed to absolve Abbas's PA of its minimal requirements and obligations.... Whether the goal is saving disengagement or preparing for the day after, the time to force the PA to confront terror is now."

CRETZ